MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

DMG5014 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

5 OCTOBER 2023
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 5 Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Part A

Sharmila studied Financial Accounting last semester and she is just learning Management Accounting now. She is interested to know what the differences between these two disciplines are.

Required

Briefly explain to Sharmila the difference between a merchandiser and a manufacturer in terms of its inventory. (2 marks)

Part B

Seri Jati Manufacturing produces and sells a variety of wooden furniture and home decoration. Below are the production cost records for the month of August 2023.

Items	RM	Items	RM
Advertising expense	48,600	Sales salaries	42,300
Depreciation expense	56,000	Utilities expense	30,000
Factory labour costs	124,200	Raw materials inventory, 1 Aug	54,700
Factory repairs	6,100	Raw materials inventory, 31 Aug	41,800
Insurance expense	3,000	Raw materials purchases	85,600
Plant manager's salary	8,800	Work in process inventory, 1 Aug	25,200
Rent expense	7,500	Work in process inventory, 31 Aug	19,900
Sales returns & allowances	12,600	Finished goods inventory, 1 Aug	66,400
Sales revenue	400,400	Finished goods inventory, 31 Aug	53,100

Additional information:

- All raw materials used in production were direct materials.
- 80% of the factory labour costs are direct labour.
- 65% of the depreciation expense relates to factory operations.
- Two-third (2/3) of the insurance expense relates to factory operations.
- Rent expense is entirely related to the office building.
- 70% of the utilities expense relates to factory operations.

Required

(a) Prepare the Cost of Goods Manufactured Schedule. (12.5 marks)

(b) Prepare the Income Statement through gross profit. (5.5 marks)

(Total: 20 marks)

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QUESTION 2

Xpedy Bhd. uses a job order costing system for its products. The company applies overhead based on machine hours worked. Xpedy is expected to use 80,000 machine hours and incur RM360,000 in manufacturing costs.

The following inventory information is available for the year ended 31 December 2022.

	1 Jan 2022 (RM)	31 Dec 2022 (RM)
Inventories:		
Raw materials	32,000	29,000
Work in process	21,000	29,750
Finished goods	19,000	11,000
Total	**RM72,000**	**RM69,750**

In addition, the following transactions occurred during the year:

- Purchased raw materials on account, RM77,000.
- Incurred direct factory labour, RM88,000.
- Incurred the following overhead costs:
  - Depreciation on factory machinery RM27,800
  - Prepaid insurance expired, RM16,300
  - Factory utilities accrued, RM12,900
- Requisitioned RM60,000 raw materials for production. All are direct materials.
- Assigned RM88,000 of factory labour to jobs.
- Applied overhead based on 13,500 machine hours used.
- Goods costing RM200,000 to manufacture according to their job cost sheets were completed during the month.
- Finished goods costing RM82,000 to manufacture were sold on account at 30% above costs.

Required

(a) Compute the predetermined overhead rate. (2 marks)

(b) Determine whether the overhead was under- or overapplied; and by how much. Show all your workings. (3 marks)

(c) Prepare journal entries to record the above transactions including the adjustment of under- or overapplied overhead in (b). Show all your workings. (12 marks)

(d) Prepare the T-account for Work in Process inventory to determine the balance at the end of the month. (3 marks)

(Total: 20 marks)

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QUESTION 3

Part A

There are two basic types of cost accounting systems: a job order cost system and a process cost system. Zachary is confused between both cost systems for a manufacturing company.

Required

Briefly explain to Zachary **ONE (1)** similarity and **TWO (2)** differences between job order cost and process cost systems. (3 marks)

Part B

Adamas Industries uses a process cost system and the weighted-average cost flow assumption. Its production begins in the Fabricating Department where materials are added at several stages during the process, while conversion costs are incurred uniformly throughout the process.

On 1 September 2023, the beginning work in process inventory consisted of 30,000 units which were 65% complete and had a cost of RM305,000; of which, RM185,000 were material costs.

During September, the following occurred:

Materials added	RM400,000
Conversion costs incurred	RM202,500
Units completed and transferred out in September	70,000
Units in ending work in process, 30 September	10,000
(80% complete as to materials; 50% complete as to conversion costs)	

Required

Prepare a production cost report for the Fabricating Department for the month of September 2023. Show all your workings. (17 marks)

(Total: 20 marks)

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QUESTION 4

The income statement of Cahaya Textile for 2022 appears as follows.

Cahaya Textile
Income Statement for the year ended 31 December 2022

	RM
Sales *(30,000 units)*	900,000
Variable costs	(630,000)
Contribution margin	270,000
Fixed expenses	(252,000)
Net income	**RM18,000**

Required

(a) Compute the selling price per unit and variable cost per unit. (3 marks)

(b) Based on your answer in (a), compute the contribution margin per unit and contribution margin ratio. (4 marks)

(c) Compute the company's break-even point in units and sales ringgit. (4 marks)

(d) Did the company achieve break-even? Why or why not? (1 mark)

(e) Compute the margin of safety in Ringgit Malaysia. Briefly explain what the margin of safety amount indicates. (3.5 marks)

(f) If the company is able to reduce variable costs by RM3 per unit in 2023 with other costs and selling price per unit remaining unchanged, how many units will the company have to sell in order to earn a net income of RM36,000? Is this a better option? Why or why not? (4.5 marks)

(Total: 20 marks)

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QUESTION 5

Faiza Sdn. Bhd. produces and sells display racks. Cost and sales data for the first month of operations, September 2023, are shown below.

Variable Cost per unit	
Direct materials	RM35
Direct labour	RM18
Variable overhead	RM10
Variable selling and administrative expenses	RM6
Fixed Costs per year	
Fixed overhead	RM150,000
Fixed selling and administrative expenses	RM100,000

Faiza Sdn. Bhd. sells the display racks for RM120 per unit. During September 2023, the company produced 10,000 units and sold 8,000 units.

Required

(a) Assume the company uses **absorption costing**:
   (i) Calculate the product cost per unit for September. (2.5 marks)
   (ii) Prepare an income statement for the month of September. (7.5 marks)

(b) Assume the company uses **variable costing**:
   (i) Calculate the product cost per unit for September. (2 marks)
   (ii) Prepare an income statement for the month of September. (8 marks)

(Total: 20 marks)

End of Paper